

**REPORT OF THE AUDIT OF THE  
PERRY COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2003**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE PERRY COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2003**

The Auditor of Public Accounts has completed the Perry County Fiscal Court audit for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Fund balances decreased by \$3,284,199 from the beginning of the year, resulting in a cash surplus of \$3,770,531 as of June 30, 2003.

#### **Debt Obligations:**

Total bonded debt principal as of June 30, 2003, was \$12,620,000. Future collections of \$19,858,715 are needed over the next 24 years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$3,935,503 as of June 30, 2003. Future principal and interest payments of \$6,203,237 are needed to meet these obligations.

#### **Report Comments:**

- The County Should Prepare An Accurate Encumbrance List
- The Jailer Should Prepare Monthly Bank Reconciliations For The Jail Commissary Accounts

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Denny Ray Noble, Perry County Judge/Executive

Members of the Perry County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Perry County, Kentucky, as of June 30, 2003, the statement of cash receipts, cash disbursements, and changes in cash balances - all governmental fund types; the statement of cash receipts, cash disbursements, and changes in cash balance - proprietary fund type; and the related statement of cash flows - proprietary fund type for the year then ended. These financial statements are the responsibility of the Perry County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Perry County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity of Perry County, Kentucky, as of June 30, 2003, and the revenues received and expenditures paid, and the cash flows of its enterprise fund for the year then ended in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated May 11, 2004, on our consideration of Perry County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Denny Ray Noble, Perry County Judge/Executive  
Members of the Perry County Fiscal Court

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Perry County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discuss the following report comments:

- The County Should Prepare An Accurate Encumbrance List
- The Jailer Should Prepare Monthly Bank Reconciliations For The Jail Commissary Accounts

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
May 11, 2004



PERRY COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

**Fiscal Court Members:**

Denny Ray Noble	County Judge/Executive
Earl Bailey	Magistrate
Jimmy D. Neace	Magistrate
Johnny Blair	Magistrate

**Other Elected Officials:**

John Carl Shackleford	County Attorney
McClee Feltner	Jailer
Haven King	County Clerk
Roger Collins	Circuit Court Clerk
Pat Wooten	Sheriff
John Frank Gross	Property Valuation Administrator
Jimmy Maggard	Coroner

**Appointed Personnel:**

Velma K. Spicer	County Treasurer
Joyce Napier	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

PERRY COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2003

	Governmental Fund Type			
	General	Special Revenue	Capital Projects	Debt Service
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 304,030	\$ 55,747	\$	\$
Notes Receivable (Note 4)		800,000		3,314,729
Restricted Cash-				
Capital Projects Construction			3,248,811	
KREDA				52,847
Public Properties Corporation				91,514
Justice Center Corporation				1
Total Assets	<u>\$ 304,030</u>	<u>\$ 855,747</u>	<u>\$ 3,248,811</u>	<u>\$ 3,459,091</u>
<u>Other Resources</u>				
Amounts to Be Provided	\$	\$	\$	\$
in Future Years for:				
Bond Payments (Note 6)				12,528,485
Capital Leases (Note 7)	145,503			3,790,000
Total Other Resources	<u>\$ 145,503</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,318,485</u>
Total Assets and Other Resources	<u>\$ 449,533</u>	<u>\$ 855,747</u>	<u>\$ 3,248,811</u>	<u>\$ 19,777,576</u>

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2003  
(Continued)

Proprietary Fund Type	Totals (Memorandum Only) Reporting Entity
Enterprise	
\$ 17,592	\$ 377,369
	4,114,729
	3,248,811
	52,847
	91,514
	1
\$ 17,592	\$ 7,885,271
\$	\$
	12,528,485
	3,935,503
\$ 0	\$ 16,463,988
\$ 17,592	\$ 24,349,259

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2003  
(Continued)

	Governmental Fund Type			
	General	Special Revenue	Capital Projects	Debt Service
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Capital Leases:				
Voting Machines (Note 7A)	\$ 27,000	\$	\$	\$
GMC Trucks (Note 7B)	20,952			
Caterpillar Backhoe - 2001 (Note 7C)	39,626			
Caterpillar Backhoe - 2003 (Note 7D)	57,925			
Kentucky Area Development District Financing Trust (Note 7E)				1,610,000
Perry County Justice Center (Note 7F)				2,180,000
Bonds:				
Refunding and Improvement Bond (Note 6A)				410,000
Perry County Detention Center Bond (Note 6B)				5,970,000
Perry County Justice Center Bond (Note 6C)				6,240,000
Total Liabilities	<u>\$ 145,503</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,410,000</u>
<u>Equity</u>				
Retained Earnings	\$	\$	\$	\$
Fund Balances:				
Reserved		55,747	3,248,811	52,847
Unreserved	<u>304,030</u>	<u>800,000</u>		<u>3,314,729</u>
Total Equity	<u>\$ 304,030</u>	<u>\$ 855,747</u>	<u>\$ 3,248,811</u>	<u>\$ 3,367,576</u>
Total Liabilities and Equity	<u>\$ 449,533</u>	<u>\$ 855,747</u>	<u>\$ 3,248,811</u>	<u>\$ 19,777,576</u>

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2003  
(Continued)

Proprietary Fund Type	Totals (Memorandum Only)	
	Reporting Entity	
<u>Enterprise</u>		

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES

PERRY COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES

For The Fiscal Year Ended June 30, 2003

	General Fund Type			
	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 1,878,894	\$ 1,603,619	\$ 862,097	\$ 2,186,678
Other Financing Sources:				
Transfers In	84,422		779,000	60,000
AOC Receipts - KADD Lease				
Total Cash Receipts	<u>\$ 1,963,316</u>	<u>\$ 1,603,619</u>	<u>\$ 1,641,097</u>	<u>\$ 2,246,678</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,708,378	\$ 1,526,759	\$ 1,186,963	\$ 1,408,920
Other Financing Uses:				
Schedule of Other Expenditures				
Transfers Out	350,000	84,421	415,319	864,600
AOC Payments				
KADD:				
Principal on Lease				
Interest on Lease				
Bonds:				
Principal Paid				
Interest Paid				
Capital Lease Payments - Principal	25,000	31,178		2,957
Total Cash Disbursements	<u>\$ 2,083,378</u>	<u>\$ 1,642,358</u>	<u>\$ 1,602,282</u>	<u>\$ 2,276,477</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (120,062)	\$ (38,739)	\$ 38,815	\$ (29,799)
Cash Balance - July 1, 2002	173,614	124,965	36,787	118,438
Cash Balance - June 30, 2003	<u>\$ 53,552</u>	<u>\$ 86,226</u>	<u>\$ 75,602</u>	<u>\$ 88,639</u>

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
For The Fiscal Year Ended June 30, 2003  
(Continued)

Special Revenue Fund Type					
E-911 Fund	Forestry Fund	Area Development Fund	Perry County Coal Severance Projects Fund	FEMA Fund	Perry County Emergency Planning Committee Fee Account Fund
\$ 347,630	\$ 4,163	\$ 18	\$ 179,104	\$	\$ 1,760
\$ 347,630	\$ 4,163	\$ 18	\$ 179,104	\$ 0	\$ 1,760
\$ 374,489	\$ 4,050	\$ 5,651	\$ 243,527	\$	\$ 1,440
\$ 374,489	\$ 4,050	\$ 5,651	\$ 243,527	\$ 0	\$ 1,440
\$ (26,859) 58,066	\$ 113 6,710	\$ (5,633) 5,665	\$ (64,423) 77,175	\$ 1,531	\$ 320 1,631
\$ 31,207	\$ 6,823	\$ 32	\$ 12,752	\$ 1,531	\$ 1,951

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
 For The Fiscal Year Ended June 30, 2003  
 (Continued)

	Special Revenue Fund Type	
	Community Development Block Grant Buckhorn Water Project Fund	Community Development Block Grant Krypton/Yerkes/ Willard Water Expansion Project Fund
<u>Cash Receipts</u>		
Schedule of Operating Revenue	\$ 11	\$ 386,005
Other Financing Sources:		
Transfers In		
AOC Receipts - KADD Lease		
Total Cash Receipts	\$ 11	\$ 386,005
<u>Cash Disbursements</u>		
Comparative Schedule of Final Budget and Budgeted Expenditures	\$	\$ 386,004
Other Financing Uses:		
Schedule of Other Expenditures		
Transfers Out		1
AOC Payments		
KADD:		
Principal on Lease		
Interest on Lease		
Bonds:		
Principal Paid		
Interest Paid		
Capital Lease Payments - Principal		
Total Cash Disbursements	\$ 0	\$ 386,005
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 11	\$
Cash Balance - July 1, 2002	1,439	1
Cash Balance - June 30, 2003	\$ 1,450	\$ 1

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
For The Fiscal Year Ended June 30, 2003  
(Continued)

Capital Projects Fund Type		Debt Service Fund Type			Totals (Memorandum Only)
Jail Construction Fund	Perry County Kentucky Justice Center Corporation Construction Fund	KREDA Fund	Public Properties Corporation Bond Fund	Perry County Kentucky Justice Center Corporation Bond/Lease Fund	
\$ 805	\$ 129,476	\$ 132,975	\$ 2,899	\$ 1,269	\$ 7,717,403
	2		790,919	65,082	1,779,425
				131,369	131,369
\$ 805	\$ 129,478	\$ 132,975	\$ 793,818	\$ 197,720	\$ 9,628,197
\$	\$	\$ 92,618	\$	\$	\$ 6,938,799
29,195	2,730,393			2,541	2,762,129
	65,082			2	1,779,425
				70,000	70,000
				61,369	61,369
			535,000		535,000
			317,153	329,146	646,299
		70,000			129,135
\$ 29,195	\$ 2,795,475	\$ 162,618	\$ 852,153	\$ 463,058	\$ 12,922,156
\$ (28,390)	\$ (2,665,997)	\$ (29,643)	\$ (58,335)	\$ (265,338)	\$ (3,293,959)
99,455	5,843,743	82,490	149,849	265,339	7,046,898
	*	**			
\$ 71,065	\$ 3,177,746	\$ 52,847	\$ 91,514	\$ 1	\$ 3,752,939

\* Prior year balance adjusted for reconciling items booked as expenditures in FY2003.

\*\* Increase Prior Year Carry Over Cash Balance \$1 for report presentation

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE





PERRY COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	<u>Enterprise Fund Type</u>
<u>Cash Receipts</u>	<u>Jail Canteen Fund</u>
Receipts - Jail Canteen	\$ 322,044
Total Cash Receipts	\$ 322,044
 <u>Cash Disbursements</u>	
Expenditures - Jail Canteen	\$ 312,284
Total Cash Disbursements	\$ 312,284
Excess of Cash Receipts Over Cash Disbursements	\$ 9,760
Cash Balance - July 1, 2002	7,832
Cash Balance - June 30, 2003	\$ 17,592

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE



PERRY COUNTY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	<u>Enterprise Fund Type</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities:	
Cash Received From Inmate Sales	\$ 322,001
Interest Received on Bank Accounts	43
Payments to Suppliers	<u>(312,284)</u>
Net Cash Provided By Operating Activities	\$ 9,760
Cash and Cash Equivalents - July 1, 2002	<u>7,832</u>
Cash and Cash Equivalents - June 30, 2003	<u><u>\$ 17,592</u></u>

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Perry County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, management has included the Perry County Public Properties Corporation and the Perry County Justice Center Corporation as part of the reporting entity.

Perry County Public Properties Corporation

The Fiscal Court has the authority to appoint a voting majority of the Perry County Public Properties Corporation's (PPC) Board of Directors. The Fiscal Court also has the ability to approve or modify the PPC's budget, approve or modify rate or fee changes affecting revenues, veto, overrule, or modify decisions of Board of Directors, or otherwise impose its will on the PPC. In addition, the Fiscal Court is financially accountable for the PPC, legally entitled to the PPC's resources, as well as legally obligated for the PPC's debt. Financial information for the Perry County Public Properties Corporation is blended within Perry County's financial statements.

Perry County Kentucky Justice Center Corporation

The Fiscal Court has the ability to approve or modify the Perry County Kentucky Justice Center Corporation's (PCKJCC) budget, approve or modify rate or fee changes affecting revenues, veto, overrule, or modify decisions of Board of Directors, or otherwise impose its will on the PCKJCC. In addition, the Fiscal Court is financially accountable for the PCKJCC, legally entitled to the PCKJCC's resources, as well as legally obligated for the PCKJCC's debt. Financial information for the Perry County Kentucky Justice Center Corporation is blended within Perry County's financial statements.

Additional - Perry County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Perry County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Perry County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Perry County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and the Local Government Economic Assistance Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Perry County Special Revenue Fund Type includes the following county funds: E-911 Fund, Forestry Fund, Area Development Fund, Perry County Coal Severance Projects Fund, Local Government Economic Development Fund, FEMA Fund, Perry County Emergency Planning Committee Fee Account Fund, Community Development Block Grant Buckhorn Water Project Fund, and Community Development Block Grant Krypton/Yerkes/Willard Water Expansion Project Fund.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the KREDA Fund, Public Properties Corporation Bond Fund, and the Perry County Kentucky Justice Center Corporation Bond/Lease Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

4) Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Jail Construction Fund and the Perry County Kentucky Justice Center Corporation Construction Fund of the Fiscal Court are reported as Capital Projects Fund Types.

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

5) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Perry County Enterprise Fund Type includes the jail canteen fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amount to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore, the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Perry County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.



PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget (Continued)

Formal budgets are not adopted for the Jail Construction Fund (Capital Projects Fund Type), Perry County Kentucky Justice Center Corporation Construction Fund (Capital Projects Fund Type), Public Properties Corporation Bond Fund (Debt Service Fund Type), and the Perry County Kentucky Justice Center Corporation Bond/Lease Fund (Debt Service Fund Type) because bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund Type/Special Revenue Fund Type to comply with these requirements. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. For the purpose of the statement of cash flows, the county considers all investments with a maturity date of three months or less when purchased to be cash equivalents.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2003, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Receivables

A. Economic Development Block Grant Receivable

The county loaned \$1,000,000 to Trus Joist MacMillian on December 30, 1996, for the purpose of reimbursing the cost acquisition and offsite development of a manufacturing facility. Terms of the agreement stipulate a ten-year repayment schedule with zero percent interest. The agreement provides that ten percent of the loan, or \$100,000, shall be forgiven on December 30 of each year as long as the company maintains the appropriate level of job requirements. Trus Joist MacMillian is in substantial compliance with the terms of the agreement and \$100,000 of the loan was forgiven during the fiscal year ended June 30, 2003. As of June 30, 2003, the principal balance due was \$400,000.

B. Multi-County Economic Development Block Grant Receivable

The county loaned another \$1,000,000 to Trus Joist MacMillian on December 30, 1996, for the purpose of reimbursing the cost acquisition and offsite development of a manufacturing facility. Terms of the agreement stipulate a ten-year repayment schedule with a zero percent interest rate. The agreement provides that ten percent of the loan, or \$100,000, shall be forgiven on December 30 of each year as long as the company maintains the appropriate level of job requirements. Trus Joist MacMillian is in substantial compliance with the terms of the agreement and \$100,000 of the loan was forgiven during the fiscal year ended June 30, 2003. As of June 30, 2003, the principal balance due was \$400,000.

PERRY COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2003  
 (Continued)

Note 4. Receivables (Continued)

C. Cintas Sales Corporation Receivable

The county loaned \$3,997,000 to Cintas Sales Corporation on March 2, 1994, for the purpose of constructing a manufacturing facility. Terms of the agreement stipulate a 25-year repayment schedule at an eight-percent interest rate. The agreement also states that any shortfall in principal payments by Cintas shall be forgiven by the county and that the county will make up such difference from proceeds of coal severance monies. At the end of this agreement, it appears the property and building will transfer to Cintas with the county having to pay back the LGED grant funding from prior years. It appears that Cintas Sales Corporation is in substantial compliance with terms of the agreement. As of June 30, 2003, the principal balance due was \$3,314,729.

Note 5. Operating Lease

On June 24, 2002, the county entered into a lease-purchase agreement with New Holland Credit for the purchase of a tractor and mower. Terms of the agreement call for 48 monthly payments ending on May 20, 2006. The principal balance as of June 30, 2003 was \$38,902.

Note 6. Long-Term Debt

A. Public Properties Refunding and Improvement Bond

On September 1, 1993, the Perry County Public Properties Corporation issued a public project refunding and improvement bond. Principal is payable annually on March 1 and interest is payable semiannually on March 1 and September 1. As of June 30, 2003, the principal balance outstanding was \$410,000. Debt service requirements for fiscal year ending June 30, 2004, are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 23,063	\$ 410,000
Totals	<u>\$ 23,063</u>	<u>\$ 410,000</u>

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 6. Long Term Debt (Continued)

B. Perry County Detention Center

In December 2001, the Perry County Fiscal Court issued \$6,115,000 in General Obligation Public Project Bonds to provide long-term financing of the Perry County Detention Center. The proceeds were used to pay off three bond anticipation notes, which were used for the construction of the Perry County Detention Center. These bonds are scheduled to mature in June 2027 and have a variable interest rate of 2.0 to 5.0%. Semiannual interest payments are required in June and December and the principal amount is due each December. As of June 30, 2003, the principal balance outstanding was \$5,970,000. Debt service requirements for fiscal years ending June 30, 2004, and thereafter are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 268,827	\$ 150,000
2005	264,628	155,000
2006	259,745	155,000
2007	254,217	165,000
2008	248,018	170,000
2009-2013	1,129,132	960,000
2014-2018	892,187	1,190,000
2019-2023	571,127	1,515,000
2024-2027	<u>155,500</u>	<u>1,510,000</u>
Totals	<u>\$ 4,043,381</u>	<u>\$ 5,970,000</u>

C. Perry County Justice Center Bond (Phase 2)

In April 2002, the Perry County Justice Center Corporation issued bonds in order to construct the Perry County Justice Center. On the same day, the Perry County Justice Center Corporation, Administrative Office of the Courts (AOC), and the county entered into a use and sublease agreement for the purpose of obtaining office rental space for the AOC at the Justice Center.

The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust are acting as agents for the AOC in order to plan, design, construct, manage and maintain the Justice Building. The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust expect annual rentals for use of the Justice Building to be in the full amount of the annual principal and interest requirements of the bonds. Under the terms of the use and sublease agreement, the AOC has agreed to pay directly to the paying agent bank, the use allowance payment as provided in the use and sublease agreement. The use and sublease agreement is renewable each year. The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust are in reliance upon the use allowance payment in order to meet the debt service for the bonds.

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 6. Long Term Debt (Continued)

C. Perry County Justice Center Bond (Phase 2) (Continued)

The use allowance payment commences with occupancy of the Justice Building by the AOC. The AOC, with the execution of the use and sublease agreement, has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until June 1, 2023, but the use and sublease agreement does not legally obligate the AOC to do so. As of June 30, 2003, the principal balance outstanding was \$6,240,000. Debt service requirements for fiscal years ending June 30, 2004, and thereafter are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 265,700	\$ 215,000
2005	260,797	220,000
2006	254,450	225,000
2007	246,968	235,000
2008	238,532	240,000
2009-2013	1,035,868	1,350,000
2014-2018	701,311	1,665,000
2019-2023	<u>260,160</u>	<u>2,090,000</u>
Totals	<u>\$ 3,263,786</u>	<u>\$ 6,240,000</u>

Note 7. Capital Leases

A. Voting Machines

On December 22, 1994, the county entered into a lease agreement with the Kentucky Association of Counties for the purchase of voting machines. Terms of the agreement stipulate a ten-year repayment schedule with variable monthly interest payments and variable annual principal payments. As of June 30, 2003, the principal balance outstanding was \$27,000. Debt service requirements for fiscal year ending June 30, 2004, are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	<u>\$ 1,103</u>	<u>\$ 27,000</u>
Totals	<u>\$ 1,103</u>	<u>\$ 27,000</u>

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 7. Capital Leases (Continued)

B. GMC Trucks

On June 13, 2000, the county entered into a lease agreement with Kentucky Association of Counties for the purchase of three GMC trucks. Terms of the lease agreement stipulate a 5-year repayment schedule with semiannual interest payments and annual principal payments. As of June 30, 2003, the principal balance outstanding was \$20,952. Debt service requirements for fiscal year ending June 30, 2004, are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 543	\$ 20,952
Totals	<u>\$ 543</u>	<u>\$ 20,952</u>

C. Caterpillar Backhoe - 2001

In September 2001, the county entered into a lease agreement with CAT Financial for the purchase of a Caterpillar Backhoe Loader. Terms of the lease agreement stipulate a 5-year repayment schedule with monthly principal and interest payments. As of June 30, 2003, the principal balance outstanding was \$39,626. Debt service requirements for fiscal years ending June 30, 2004, and thereafter are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 1,794	\$ 11,804
2005	1,153	12,445
2006	477	13,121
2007	<u>13</u>	<u>2,256</u>
Totals	<u>\$ 3,437</u>	<u>\$ 39,626</u>

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 7. Capital Leases (Continued)

D. Caterpillar Backhoe - 2003

In April 2003, the county entered into a lease agreement with CAT Financial for the purchase of a Caterpillar Backhoe Loader. Terms of the lease agreement stipulate a 5-year repayment schedule with monthly principal and interest payments. As of June 30, 2003, the principal balance outstanding was \$57,925. Debt service requirements for fiscal years ending June 30, 2004, and thereafter are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 2,111	\$ 11,299
2005	1,651	11,759
2006	1,172	12,238
2007	673	12,737
	<u>166</u>	<u>9,892</u>
Totals	<u>\$ 5,773</u>	<u>\$ 57,925</u>

E. KADD Lease - Cintas

On May 14, 1998, the county entered into a lease agreement with the Kentucky Area Development District Financing Trust for the purpose of refinancing a bank note. Terms of the lease agreement stipulate a 20-year repayment schedule with semiannual interest payments and annual principal payments. As of June 30, 2003, the principal balance outstanding was \$1,610,000. Debt service requirements for fiscal years ending June 30, 2004, and thereafter are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 89,362	\$ 70,000
2005	85,758	75,000
2006	81,895	80,000
2007	77,775	85,000
2008	73,397	90,000
2009-2013	288,813	525,000
2014-2018	<u>125,551</u>	<u>685,000</u>
Totals	<u>\$ 822,551</u>	<u>\$ 1,610,000</u>

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 7. Capital Leases (Continued)

F. KADD Lease - Land Purchase and Demolition

On July 1, 2000, the Perry County Kentucky Justice Center Corporation entered into a capital lease agreement with the Kentucky Area Development District, on behalf of the Administrative Office of the Courts (AOC), for phase one of the Justice Center Project. These funds were for the purchase of property and the demolition of an existing building for the Justice Center Project.

The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust are acting as agents for the AOC in order to plan, design, construct, manage and maintain the Justice Building. The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust expect annual rentals for use of the Justice Building to be in the full amount of the annual principal and interest requirements of this KADD Lease. Under the terms of an additional use and sublease agreement, the AOC has agreed to pay directly to the paying agent bank, the use allowance payment as provided in the use and sublease agreement. The use and sublease agreement is renewable each year. The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust are in reliance upon the use allowance payment in order to meet the debt service for the KADD lease.

The use allowance payment has commenced prior to the occupancy of the Justice Building by the AOC. The AOC with the execution of the use and sublease agreement has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until May 2018, but the use and sublease agreement does not legally obligate the AOC to do so.

As of June 30, 2003, the principal balance outstanding was \$2,180,000. Debt service requirements for fiscal years June 30, 2004, and thereafter are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 119,552	\$ 70,000
2005	116,260	75,000
2006	112,733	80,000
2007	108,932	80,000
2008	105,130	85,000
2009-2013	457,630	500,000
2014-2018	309,510	640,000
2019-2022	104,580	650,000
Totals	<u>\$ 1,434,327</u>	<u>\$ 2,180,000</u>



PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 8. Insurance

For the fiscal year ended June 30, 2003, Perry County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



PERRY COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 2,569,652	\$ 1,878,894	\$ (690,758)
Road and Bridge Fund	1,612,014	1,603,619	(8,395)
Jail Fund	966,568	862,097	(104,471)
Local Government Economic Assistance Fund	2,011,276	2,186,678	175,402
<u>Special Revenue Fund Type</u>			
E-911 Fund	357,500	347,630	(9,870)
Forestry Fund	6,000	4,163	(1,837)
Area Development Fund	25,000	18	(24,982)
Perry County Coal Severance Projects Fund	88,605	179,104	90,499
Perry County Emergency Planning Committee Fee Account Fund		1,760	1,760
Community Development Block Grant Buckhorn Water Project Fund		11	11
Community Development Block Grant Krypton/ Yerkes/Willard Water Expansion Project Fund	497,130	386,005	(111,125)
<u>Debt Service Fund Type</u>			
KREDA Fund	164,618	132,975	(31,643)
Totals	<u>\$ 8,298,363</u>	<u>\$ 7,582,954</u>	<u>\$ (715,409)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 8,298,363
Add: Budgeted Prior Year Surplus			596,698
Less: Other Financing Uses			<u>(920,054)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 7,975,007</u>

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SCHEDULE OF OPERATING REVENUE





PERRY COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

GOVERNMENTAL FUND TYPE					
Revenue Categories	General Fund Type	Special Revenue Fund Type	Capital Projects Fund Type	Debt Service Fund Type	Totals (Memorandum Only)
Taxes	\$ 1,256,354	\$ 297,438	\$	\$	\$ 1,553,792
In Lieu Tax Payments	180				180
Excess Fees	60,360				60,360
Licenses and Permits	276,445	1,760			278,205
Intergovernmental Revenues	4,680,234	618,555			5,298,789
Charges for Services	13,729				13,729
Miscellaneous Revenues	224,109	87		132,163	356,359
Interest Earned	19,877	851	130,281	4,980	155,989
Total Operating Revenue	<u>\$ 6,531,288</u>	<u>\$ 918,691</u>	<u>\$ 130,281</u>	<u>\$ 137,143</u>	<u>\$ 7,717,403</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



PERRY COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,062,376	\$ 976,370	\$ 86,006
Protection to Persons and Property	1,257,915	1,210,356	47,559
General Health and Sanitation	192,700	171,735	20,965
Social Services	28,300	21,084	7,216
Recreation and Culture	301,800	161,491	140,309
Roads	2,101,557	1,964,257	137,300
Debt Service	71,610	7,521	64,089
Capital Projects	18,302	18,101	201
Administration	1,728,700	1,300,105	428,595
 Total Operating Budget - General Fund Type	 \$ 6,763,260	 \$ 5,831,020	 \$ 932,240
Other Financing Uses:			
Capital Lease Payments -			
Voting Machines	25,000	25,000	
GMC Trucks	19,982	19,982	
Caterpillar Backhoe - 2001	11,196	11,196	
Caterpillar Backhoe - 2003	2,957	2,957	
Transfers to Public Properties			
Corporation Bond Fund	790,919	790,919	
 TOTAL BUDGET - GENERAL FUND TYPE	 \$ 7,613,314	 \$ 6,681,074	 \$ 932,240

PERRY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 For The Fiscal Year Ended June 30, 2003  
 (Continued)

SPECIAL REVENUE FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 43,200	\$ 1,440	\$ 41,760
Protection to Persons and Property	324,000	344,890	(20,890)
General Health and Sanitation	580,258	540,926	39,332
Capital Projects	113,605	94,256	19,349
Administration	56,066	33,649	22,417
<b>TOTAL BUDGET - SPECIAL REVENUE FUND TYPE</b>	<b>\$ 1,117,129</b>	<b>\$ 1,015,161</b>	<b>\$ 101,968</b>

DEBT SERVICE FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
Debt Service	\$ 94,618	\$ 92,618	\$ 2,000
<b>Total Operating Budget - Special Revenue Fund Type</b>	<b>\$ 94,618</b>	<b>\$ 92,618</b>	<b>\$ 2,000</b>
Other Financing Uses:			
Capital Lease Payments	70,000	70,000	
<b>TOTAL BUDGET - DEBT SERVICE FUND TYPE</b>	<b>\$ 164,618</b>	<b>\$ 162,618</b>	<b>\$ 2,000</b>

SCHEDULE OF OTHER EXPENDITURES





PERRY COUNTY  
SCHEDULE OF OTHER EXPENDITURES

For The Fiscal Year Ended June 30, 2003

<u>Expenditure Items</u>	<u>Jail Construction Fund</u>	<u>Perry County Kentucky Justice Center Corporation Construction Fund</u>	<u>Perry County Kentucky Justice Center Corporation Bond/Lease Fund</u>	<u>Totals</u>
Construction Costs	\$ 29,195	\$ 2,730,246	\$	\$ 2,759,441
Security Fees		147	2,541	2,688
Totals	<u>\$ 29,195</u>	<u>\$ 2,730,393</u>	<u>\$ 2,541</u>	<u>\$ 2,762,129</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Denny Ray Noble, Perry County Judge/Executive  
Members of the Perry County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Perry County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated May 11, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Perry County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Perry County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Perry County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs.

- Reference Number 2003-1: The County Should Prepare An Accurate Encumbrance List
- Reference Number 2003-2: The Jailer Should Prepare Monthly Bank Reconciliations For The Jail Commissary Accounts



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that neither of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
May 11, 2004

REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133







**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Denny Ray Noble, Perry County Judge/Executive  
Members of the Perry County Fiscal Court

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Perry County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. Perry County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Perry County's management. Our responsibility is to express an opinion on Perry County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Perry County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Perry County's compliance with those requirements.

In our opinion, Perry County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Perry County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Perry County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
May 11, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS



PERRY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Fiscal Year Ended June 30, 2003

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Perry County.
2. Two reportable conditions disclosed during the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Perry County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Perry County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Perry County reported in Part C of this schedule.
7. The programs tested as major programs were: Disaster and Emergency Assistance Grant (CFDA #83.544) and the Appalachian Regional Commission Grant (CFDA #23.002).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Perry County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

NONCOMPLIANCES:

None.

REPORTABLE CONDITIONS:

**Reference Number 2003-1**

The County Should Prepare An Accurate Encumbrance List

The County did not maintain an encumbrance list that agrees back to the amounts posted to the 4<sup>th</sup> Quarter Report. When the outstanding encumbrance list is prepared, the list should consist of the purchase order number, date, vendor name, amount of transaction, and the account code from which the payment will be made. We recommend the county prepare an accurate encumbrance list.

*County Judge/Executive Denny R. Noble's Response:*

*We will correct this fiscal year.*

PERRY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Fiscal Year Ended June 30, 2003  
(Continued)

REPORTABLE CONDITIONS: (Continued)

**Reference Number 2003-2**

The Jailer Should Prepare Monthly Bank Reconciliations For The Jail Commissary Accounts

The Jailer did not complete bank reconciliations for either of the Jail Commissary accounts during FYE June 30, 2003. We recommend that the Jailer prepare bank reconciliations on a monthly basis for both the canteen account and the inmate account.

*County Judge/Executive Denny R. Noble's Response:*

*Will ask Jailer to correct.*

*County Jailer McClee Feltner's Response:*

*We are already in the process of correcting this problem.*

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM  
AUDIT

None.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS





PERRY COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2003

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
U.S. Department of Housing and <u>Urban Development</u>		
Passed-Through State Department for Local Government:		
Community Development Block Grant (CFDA #14.228)	M-01053981	\$ 3,500
<u>U.S. Appalachian Regional Commission</u>		
Passed-Through State Department for Local Government:		
Appalachian Regional Commission Grant (CFDA #23.002)	Not Available	382,502
<u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Disaster and Emergency Assistance Grant (CFDA #83.544)	Not Available	558,161
<u>U.S. Department of Commerce</u>		
Passed Through National Oceanic Atmospheric Administration:		
Pride Community Grant (CFDA #11.469)	Not Available	<u>17,700</u>
Total Cash Expenditures of Federal Awards		<u>\$ 961,863</u>

PERRY COUNTY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2003

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Perry County, Kentucky, and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

PERRY COUNTY FISCAL COURT

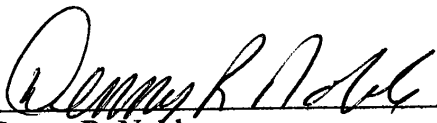
For The Fiscal Year Ended  
June 30, 2003

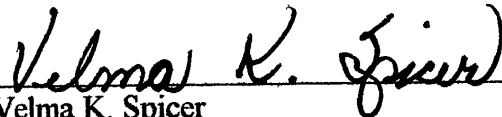


**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**  
**PERRY COUNTY FISCAL COURT**

For The Fiscal Year Ended June 30, 2003

The Perry County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Denny R. Noble  
County Judge/Executive

  
\_\_\_\_\_  
Velma K. Spicer  
County Treasurer

